

State Bar Sponsored Life Insurance Program and Current RFIs *Questions and Answers*

The following questions and answers are in response to questions and/or clarifications from carriers and brokers regarding the State Bar of California's Sponsored Life Insurance RFIs (*Request for Information*).

Responses have been provided by members of the State Bar's Standing Committee On Group Insurance Programs and are listed below in order that all interested parties have access to all pertinent information.

Additional questions (and answers) will continue to be posted here, so check back frequently. Please submit questions in writing to jann.dorothy@calbar.ca.gov.

Q. Is it possible for you to forward any and all current marketing materials, marketing initiatives and any information others have requested as it relates to the plan?

A. It is not feasible to forward current marketing materials, but information others have requested in the form of questions will be answered and posted here. For general purposes of understanding the Bar's current relationships, the Bar has a current life program with Accordia of California Insurance Services, Inc. as the broker. The plan is underwritten by American General Life. Accordia does all of the marketing collateral, promotion and administration of the program.

Q. Why is the Bar undertaking this effort when there is currently a program in place?

A. The Committee on Group Insurance Programs is seeking to improve the nature and scope of the current product offerings to make it more convenient for members to purchase quality products and to assure that the offerings to members will remain flexible, innovative and highly competitive. The RFI process is an objective, neutral approach to identify all carriers and brokers (including the incumbents) who would be interested in participating.

Q. Question 6 is "What is your firm's view as to the nature of the life product offering(s) that should be made to members, and in connection with term life, the term guarantee periods?" The last part, "term guarantee periods," are you referring to the guarantee rates of a group product as in the rates are guaranteed for 2 years, or the guarantee time period of a specific product, i.e. level 10-year term, or are you referring to both?

A. We are referring to the duration of the guarantee periods involved, such as 10-year term with rates guaranteed for 10 years, 20-year term guaranteed for 20 years, etc.

Q. Question 9 is, "Does your firm have the capacity to capture and report comments from applicants regarding;

- *the marketing process?
- *the underwriting process?
- *the issue process?
- *administration process?
- *carrier services?
- *competitiveness of products?

When you mention carrier services, can you be more specific as to what types of services you are referring to that would be different than underwriting, issue process and administration

process?

A. We are referring to quality of carrier performance in terms of meeting and exceeding customer expectations on policy issue, and service, such as post-issue changes of address, beneficiary, etc. and also any comments on the quality of communications with customers -- friendliness, helpfulness, promptness.

Q. The RFI states that the Annual Renewable Term product is a Association Group Life product, however, there is no clarification regarding the other products. Is the Ten Year Term product a Group or Individual product?

A. These are all individual products, though sponsored by the State Bar.

Q. Is the Universal Life product a Group or Individual product?

A. Individual.

Q. Can optional riders be purchased with all options or are they limited to specific choices? Are they part of the existing life carrier (American General/AIG) or are they separate?

A. Certain riders are offered by the existing carrier. Please specify what riders you are interested in offering.

Q. What key concerns are driving the desire to go out to others for bid (prioritized if able). Is the goal a “better” product? Lower premiums to members? Enhance revenue to the bar? If all three, can you rank them? Issues with the current program, product, carrier and/or broker (gleaned from the questions in the RFI): type of product (flexibility/innovation, underwriting issues)?, marketing methods an/or costs?, results (reporting-is communication between broker and bar an issue?), costs and where \$ go, program stagnancy in terms of growth or renewals?

A. The goals are

1. To better meet the needs of the practicing lawyer members of the State Bar by making available to them life insurance products which are issued by financially strong life insurance companies with a long history of integrity. The company(ies) and products will have been vetted by the Committee, enabling members to buy with greater confidence.
2. The life products should offer members with meaningful advantages over ordinary life products that they or anyone else anyone could as easily buy on the street, whether in terms of coverage, underwriting, price and/or service.
3. The State Bar would expect to receive a share out of the profits generated by the program for the value it adds in terms of oversight and administration of the program, but revenues as such as not central to the Committee’s determination.

Q. Is the bar really interested in *all* of the various compensation schemes discussed in questions 3 or 4 or have a *preference* based on what’s in place now.

A. The Committee has no predetermined solution and is seeking input.

Q. Interested in approaches other than direct mail, consistent with goal 6 of their new plan...cost issue* or member complaints about mail or bad results or...?

**(cost to members? revenue back to the bar by inefficiencies in administration--see carrier RFI questions 3., 4., 5. Or costs related to products or underwriting?)*

A. The Committee has no predetermined solution and is seeking input.

Q. Can you share the any information about the current program and insureds?
e.g. claims and/or annual experience exhibit or report, marketing plan, e.g. # of mailings per year and to whom mailed-response rate? # or percentage of insureds in each plan by level of coverage, # of insureds or demographics in each plan

A. The Committee would be pleased to provide that information. It had planned to make it available after initial responses are received.

Q. \$45 mill. contingency reserve seems high.

A. Among the signs of how well an association sponsored insurance program is meeting the needs of members are the percentage of members participating in the program, the amount of coverage being provided to the members, and the rate at which the program has been growing. The Committee was of the opinion that in absolute and relative terms there was significant opportunity for improvement.

Q. How many new members each year? (saw 180,00 members in ad, 190,000 on website). How many of the active 140K are not in CA?

A. There are approximately 5,500 to 6,000 new members each year. Approximately 11,500 to 12,500 people take the Bar exam each year and pass rates vary from year to year, but average a little less than 50%. Of the approximately 140,000 active members of the Bar, a little over 10,000 are not in California.

Q. Timing of process after May 30th and who staffs the committee, how many members, level of authority they have (in other words will the Board of Governors get into it much or just accept the committee's final recommendation).

A. The Committee will initially examine the responses at its meeting on June 9, 2003. The members of the Committee are lawyers appointed to the Committee by the Board of Governors. Each of the Committee's members has had extensive experience in insurance law and/or the insurance industry. The Committee's members include practicing lawyers, including lawyers who primarily represent claimants against insurance companies, outside insurance defense counsel, current and former senior officers of insurance companies, including insurance company General Counsel.

The Committee is assisted by the following staff members of the State Bar: Jann Dorothy, Chief Operations Officer; Marie Moffat, General Counsel; Heather Irwin, Assistant General Counsel; Raquel Hines, Administrative Assistant.

The role of the Committee is to make recommendations to the Board of Governors, but it would be wise to assume that the Committee's recommendation will be accorded great deference by the Board of Governors, especially as several members of the Board of Governors have been attending and actively participating in meetings of the Committee.

Q. Ideal/preferred length or format besides the two print copies requested, e.g. e-mailed too?

A. A copy of the response to the RFI in one or more easily accessible electronic formats (PDF, Word and/or WordPerfect) would also be appreciated.

Q. Does the broker/insurance company need to be in California.?

A. No, but the broker and insurance company must be properly authorized and licensed in California and be able to provide outstanding service to our members, the vast majority of whom live and work in California. In addition, the broker and carrier are expected to attend and participate, when appropriate, at meetings of the Group Insurance Programs Committee and its

Life Subcommittee. Full Committee meetings are held quarterly in California. It is possible that aspects of the attendance can be accomplished via audio and/or visual conferencing, at least for some sessions.

Q. Is the current benefit package provided through one insurance carrier or spread among several?

A. There is currently only one life insurance carrier for the Life Program, with other carriers used for other programs, including sponsored AD&D, Disability, Long Term Care and Workers Compensation programs

Q. How involved is current broker/insurance company with the State Bar. For example- do they sit on any boards/committees, sponsor events, attend annual meetings etc.?

A. Under California's public meetings law, meetings of the Committee are open to the public, except for matters that counsel determines are appropriate for closed sessions. As indicated above, representatives of the brokers usually are present at the open sessions of Committee meetings. Although representatives of carriers are also welcomed, most carriers send representatives only to the meetings at which their particular program receives in depth analysis, typically once a year.

Brokers and/or carriers traditionally also have chosen to exhibit and provide informational displays at the Annual Meeting of the State Bar, and to run display advertisements in publications aimed at California lawyers, including those sponsored by the State Bar. Although a broker's or carrier's plans to do so going forward may be a factor that would be considered as demonstrating commitment to operation of a successful program, it is not a requirement for selection.